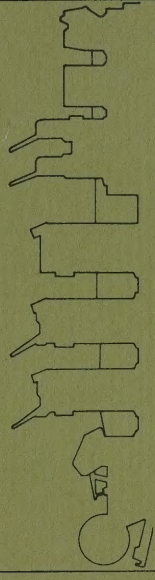


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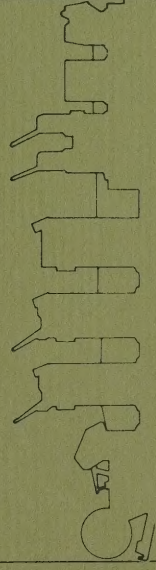


KEYSTONE BUSINESS FORMS LTD.

**INTERIM REPORT  
TO THE SHAREHOLDERS**

For Six months ended May 31, 1971

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KEYSTONE BUSINESS FORMS LTD.



## TO THE SHAREHOLDERS:

Keystone Business Forms Ltd. Net Profit for the first half of this fiscal year decreased by approximately 27% from the equivalent period a year ago despite the fact that sales were off by less than 2%.

The drop in profit is attributable to the following factors:

1. Increased labor costs accounting for approximately 40% of the change.
2. Increased paper & material costs accounting for approximately 30% of the change.
3. Depressed market prices accounting for approximately 30% of the change.

To better illustrate the performance of your company during the past year and a half we have inserted a column covering the last half of 1970. While the fluctuations during these three periods are pronounced it is encouraging to note the improvement in earnings per share from 9¢ in the last half of 1970 to 16¢ in the first half of 1971.

The business forms industry exhibits a two to three month reaction period to swings in the economy. In B.C. we were already encountering economic problems in the early spring of 1970 yet Keystone still came up with the best half-year on record. We all know what happened in the last half of the year and the profit of 9¢ per share is a reflection of those troubled times. As the year drew to a close conditions tended to stabilize. The result of 16¢ per share to end of May 1971 indicates the improvement in the economic climate.

We share the view of many in the business community that the release of the Budget and Tax Reform information has removed many uncertainties and look forward to increased business activity. We expect to share in this anticipated improvement particularly during the last 4 months of 1971.

July 12, 1971

G.E. LENNOX  
President

## STATEMENT OF PROFIT AND LOSS FOR THE SIX MONTHS ENDED 31 MAY 1971 (With comparative amounts for the six months ended 30 November 1970 and 31 May 1970)

	31 May 1971	30 Nov. 1970	31 May 1970
Sales	\$732,006	\$641,000	\$744,080
Cost of Sales	501,902	458,769	458,174
Gross Profit	230,104	182,231	285,906
Selling Expenses	88,144	81,296	89,436
General and Administrative Expenses	49,373	46,488	55,622
Operating Profit	137,517	127,784	145,058
	92,587	54,447	140,848
Other Income	3,601	909	2,056
Net Profit before Taxes on Income	96,188	55,356	142,904
Provision for Income Taxes	43,000	24,000	70,000
Net Profit	\$ 53,188	\$ 31,356	\$ 72,904
Earnings per Share	\$ .16	\$ .09	\$ .22

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Source of Funds:			
Operations (Including Non-Cash Items added back:			
1971 - \$18,550; Nov. 1970 - \$24,939; May 1970 - \$25,240)	\$ 71,738	\$ 56,295	\$ 98,144
Pension Past Service Refund, less taxes thereon	—	6,706	—
	71,738	63,001	98,144
Application of Funds:			
Acquisition of Fixed Assets	37,017	33,724	1,396
Dividends	33,333	16,666	16,667
	70,350	50,390	18,063
Increase in Working Capital	1,388	12,611	80,081
Working Capital at Beginning of Period	248,568	235,957	155,876
Working Capital at End of Period	\$249,956	\$248,568	\$235,957

THE ABOVE STATEMENTS ARE UNAUDITED AND SUBJECT TO YEAR-END ADJUSTMENTS.